

February 20, 1981

AUDITOR'S REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of BRG Resources Inc. as at December 31, 1980 and the consolidated statement of loss and deficit and changes in financial position for the period from October 10, 1980, the date of incorporation, to December 31, 1980. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

*Coopers & Lybrand*

CHARTERED ACCOUNTANTS

BRG RESOURCES INC.

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1980

A S S E T S

\$

CURRENT ASSETS

Cash and short-term deposits	5,134,110
Subscriptions receivable (note 3)	<u>500,000</u>
	5,634,110
INVESTMENT (note 2)	<u>417,655</u>
	<u>6,051,765</u>

L I A B I L I T I E S

CURRENT LIABILITIES

Accounts payable	37,555
Due to related companies	<u>76,639</u>
	<u>114,194</u>

S H A R E H O L D E R S '   E Q U I T Y

CAPITAL STOCK (note 3)	6,001,000
DEFICIT	<u>(63,429)</u>
	<u>5,937,571</u>
	<u>6,051,765</u>

SIGNED ON BEHALF OF THE BOARD

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

BRG RESOURCES INC.

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT

FOR THE PERIOD FROM OCTOBER 10, 1980 TO DECEMBER 31, 1980

	\$
REVENUE	
Interest income on short-term deposits	<u>88,436</u>
EXPENSE	
Service fee to a related company	50,000
Professional fees	39,582
Capital taxes	17,925
General and administrative expenses	<u>7,397</u>
	<u>114,904</u>
	26,468
UNREALIZED EXCHANGE LOSS	<u>36,961</u>
LOSS FOR THE PERIOD AND DEFICIT - DECEMBER 31, 1980	<u><u>63,429</u></u>

BRG RESOURCES INC.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE PERIOD FROM OCTOBER 10, 1980 TO DECEMBER 31, 1980

	\$
SOURCE OF WORKING CAPITAL	
Issue of capital stock	<u>6,001,000</u>
USE OF WORKING CAPITAL	
Loss for the period	63,429
Acquisition of investment	<u>417,655</u>
	<u>481,084</u>
WORKING CAPITAL - DECEMBER 31, 1980	<u><u>5,519,916</u></u>

## BRG RESOURCES INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM OCTOBER 10, 1980 TO DECEMBER 31, 1980

## 4. SUBSEQUENT EVENT

On January 16, 1981 a subsidiary of the company acquired interests in two companies each of which acts as a general partner of a drilling fund in the United States of America. The purchase consideration was U.S. \$600,000.

## 5. FUTURE INCOME TAXES

The company has losses for tax purposes of approximately \$27,000 which may be carried forward and used to reduce taxable income in future years and for which no future tax benefit has been recognized in these accounts. These losses may be claimed no later than December 31, 1985.

The company has expensed an amount of \$36,961 in excess of amounts claimed for tax purposes. The future tax benefit of this expense has not been recognized in the accounts.